



House of Representatives

File No. 758

General Assembly

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Substitute House Bill No. 5466
As Amended by House Amendment
Schedule "A"

Approved by the Legislative Commissioner
May 3, 2014

AN ACT CONCERNING THE DEPARTMENT OF REVENUE SERVICES' STATUTES AND PROCEDURES, INCLUDING BACKGROUND CHECKS FOR EMPLOYEES, THE MASTER SETTLEMENT AGREEMENT, THE MOTOR VEHICLE FUELS TAX, THE ESTATE TAX, ADDITIONS AND CHANGES TO VARIOUS PUBLIC LISTS MAINTAINED BY THE DEPARTMENT, THE PAYMENT SCHEDULE FOR THE SALES AND USE TAX, A DATA MATCH SYSTEM WITH FINANCIAL INSTITUTIONS, THE PERSONAL INCOME TAX AND TECHNICAL CORRECTIONS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective from passage*) The Commissioner of
2 Revenue Services shall, subject to the provisions of section 31-51i of the
3 general statutes, require each applicant for a position of employment
4 with, and each employee applying for transfer to, the Department of
5 Revenue Services, to (1) state in writing whether such applicant or
6 employee has ever been convicted of a crime or whether criminal
7 charges are pending against such applicant or employee at the time of
8 application for employment or transfer and, if so, to identify the
9 charges and court in which such charges are pending, and (2) be
10 fingerprinted and submit to state and national criminal history records

11 checks. The criminal history records checks required by this section
12 shall be conducted in accordance with section 29-17a of the general
13 statutes.

14 Sec. 2. (NEW) (*Effective from passage*) (a) The Commissioner of
15 Revenue Services, in consultation with the Commissioner of Energy
16 and Environmental Protection, shall, on or before June 15, 2014, and on
17 or before each June fifteenth thereafter, issue information concerning
18 the computation of tax on motor vehicle fuels occurring in gaseous
19 form. Such information shall include the conversion factor to be used
20 to determine the liquid gallon equivalent of motor vehicle fuels in a
21 gaseous form. Such conversion factor shall be consistent with the
22 applicable federal standard, and shall be applicable for the twelve-
23 month period beginning on the succeeding July first.

24 (b) The provisions of this section shall apply to propane only if such
25 propane is used exclusively in motor vehicles owned by the purchaser
26 of such propane and provided such propane is stored in a cylinder or
27 tank owned by the purchaser. For purposes of this section, "propane"
28 means a gaseous paraffin hydrocarbon that becomes liquid under
29 pressure or reduced temperatures.

30 Sec. 3. Section 4-28h of the general statutes is repealed and the
31 following is substituted in lieu thereof (*Effective January 1, 2015*):

32 As used in sections 4-28h to 4-28j, inclusive, as amended by this act:

33 (1) "Adjusted for inflation" means increased in accordance with the
34 formula for inflation adjustment set forth in Exhibit C to the Master
35 Settlement Agreement;

36 (2) "Affiliate" means a person who directly or indirectly owns or
37 controls, is owned or controlled by, or is under common ownership or
38 control with, another person. The terms "owns", "is owned" and
39 "ownership" mean ownership of an equity interest, or the equivalent
40 thereof, of ten per cent or more. The term "person" means an
41 individual, partnership, committee, association, corporation or any

42 other organization or group of persons;

43 (3) "Allocable share" means allocable share as that term is defined in
44 the Master Settlement Agreement;

45 (4) "Cigarette" means any product that contains nicotine, is intended
46 to be burned or heated under ordinary conditions of use, and consists
47 of or contains (A) any roll of tobacco wrapped in paper or in any
48 substance not containing tobacco; or (B) tobacco, in any form, that is
49 functional in the product, which, because of its appearance, the type of
50 tobacco used in the filler, or its packaging and labeling, is likely to be
51 offered to, or purchased by, consumers as a cigarette; and (C) any roll
52 of tobacco wrapped in any substance containing tobacco which,
53 because of its appearance, the type of tobacco used in the filler, or its
54 packaging and labeling, is likely to be offered to, or purchased by,
55 consumers as a cigarette described in subparagraph (A) of this
56 subdivision. The term "cigarette" includes roll-your-own tobacco,
57 meaning any tobacco which, because of its appearance, type,
58 packaging or labeling is suitable for use and likely to be offered to, or
59 purchased by, consumers as tobacco for making cigarettes. For
60 purposes of this definition of "cigarette", 0.09 ounces of roll-your-own
61 tobacco shall constitute one individual "cigarette";

62 (5) "Importer" means any person in the United States to whom
63 cigarettes manufactured in a foreign country are shipped or consigned,
64 any person who removes cigarettes for sale or consumption in the
65 United States from a customs bonded manufacturing warehouse, or
66 any person who unlawfully brings cigarettes into the United States;

67 [(5)] (6) "Master Settlement Agreement" means the settlement
68 agreement executed November 23, 1998, by the state of Connecticut
69 and leading tobacco product manufacturers, entitled "State of
70 Connecticut v. Philip Morris, et al.";

71 (7) "Nonparticipating Manufacturer Adjustment Settlement
72 Agreement" means the settlement agreement between the state of
73 Connecticut and the participating manufacturers, as preliminarily set

74 forth in the term sheet executed by the state of Connecticut and the
75 participating manufacturers on May 24, 2013;

76 [(6)] (8) "Qualified escrow fund" means an escrow arrangement with
77 a federally or state-chartered financial institution having no affiliation
78 with any tobacco product manufacturer and having assets of at least
79 one billion dollars where such arrangement requires that such financial
80 institution hold the escrowed funds' principal for the benefit of
81 releasing parties and prohibits the tobacco product manufacturer
82 placing the funds into escrow from using, accessing or directing the
83 use of the funds' principal except as consistent with the provisions of
84 subsection (b) of section 4-28i;

85 [(7)] (9) "Released claims" means released claims as that term is
86 defined in the Master Settlement Agreement;

87 [(8)] (10) "Releasing parties" means releasing parties as that term is
88 defined in the Master Settlement Agreement;

89 [(9)] (11) "Tobacco product manufacturer" means an entity, or its
90 successor, that, after July 1, 2000, directly and not exclusively through
91 an affiliate (A) manufactures cigarettes anywhere which the
92 manufacturer intends to be sold in the United States, including
93 cigarettes intended to be sold in the United States through an importer,
94 provided that an entity that manufactures cigarettes that it intends to
95 be sold in the United States shall not be considered to be a tobacco
96 product manufacturer under this subparagraph (A) if (i) such
97 cigarettes are sold in the United States exclusively through an importer
98 that is an original participating manufacturer, as that term is defined in
99 the Master Settlement Agreement, that will be responsible for
100 payments under the Master Settlement Agreement with respect to such
101 cigarettes as a result of the provisions of subsection II(mm) of the
102 Master Settlement Agreement and that pays the taxes specified in
103 subsection II(z) of the Master Settlement Agreement, and (ii) the
104 manufacturer of such cigarettes does not market or advertise such
105 cigarettes in the United States; or (B) is the first purchaser anywhere

106 for resale in the United States of cigarettes manufactured anywhere
107 that the manufacturer does not intend to be sold in the United States.
108 A tobacco product manufacturer shall not include an affiliate of a
109 tobacco product manufacturer unless such affiliate itself meets the
110 criteria specified in subparagraph (A) or (B) of this subdivision;

111 ~~[(10)]~~ [(12)] "Units sold" means the number of individual cigarettes
112 sold in this state by the applicable tobacco product manufacturer,
113 whether directly or through a distributor, dealer or similar
114 intermediary or intermediaries during the year in question, [as
115 measured by excise taxes collected by this state on packs, or on "roll-
116 your-own" tobacco containers, bearing the excise tax stamp of the
117 state] in packs required to bear a stamp pursuant to chapter 214 or, in
118 the case of roll-your-own tobacco, on which a tax is due pursuant to
119 chapter 214a. "Units sold" shall not include cigarettes sold on federal
120 military installations, sold by a Native American tribe to a member of
121 such tribe on such tribe's land, or that are otherwise exempt from state
122 excise tax pursuant to federal law. The Department of Revenue
123 Services shall adopt such regulations, in accordance with the
124 provisions of chapter 54, as are necessary to ascertain the amount of
125 state excise tax paid or required to be paid on the cigarettes of such
126 tobacco product manufacturer for each year.

127 Sec. 4. Subsection (a) of section 4-28i of the general statutes is
128 repealed and the following is substituted in lieu thereof (*Effective*
129 *January 1, 2015*):

130 (a) (1) Any tobacco product manufacturer selling cigarettes to
131 consumers within this state, whether directly or through a distributor,
132 dealer or similar intermediary or intermediaries, after July 1, 2000,
133 shall ~~[(1)]~~ (A) become a participating manufacturer, as the term is
134 defined in section II(jj) of the Master Settlement Agreement, and
135 generally perform its financial obligations under the Master Settlement
136 Agreement; or ~~[(2)]~~ (B) place into a qualified escrow fund not later than
137 April fifteenth of the year following the year in question the following
138 amounts, as adjusted for inflation: For calendar year 2000, \$.0104712

139 per unit sold after July 1, 2000; for each of calendar years 2001 and
140 2002, \$.0136125 per unit sold; for each of calendar years 2003 through
141 2006, \$.0167539 per unit sold; for calendar year 2007 and for each
142 calendar year thereafter, \$.0188482 per unit sold.

143 (2) For calendar years ending on or before December 31, 2014, a
144 tobacco product manufacturer electing to place funds into escrow shall
145 place the amount required pursuant to subparagraph (B) of
146 subdivision (1) of this subsection into a qualified escrow fund on an
147 annual basis not later than April fifteenth of the year following the
148 year in which the sales covered by such deposit are made.

149 (3) For calendar years commencing on and after January 1, 2015, a
150 tobacco product manufacturer electing to place funds into escrow shall
151 place an amount required pursuant to subparagraph (B) of subdivision
152 (1) of this subsection, into a qualified escrow fund on a quarterly basis
153 not later than thirty days after the end of the quarter in which the sales
154 covered by such deposit are made.

155 Sec. 5. Section 4-28j of the general statutes is repealed and the
156 following is substituted in lieu thereof (*Effective January 1, 2015*):

157 (a) Each tobacco product manufacturer that elects to place funds
158 into escrow pursuant to section 4-28i, as amended by this act, shall
159 [annually] certify to the Attorney General that it is in compliance with
160 said section 4-28i. Such certification shall be made annually for
161 calendar years prior to calendar year 2014, and quarterly for calendar
162 years commencing on and after January 1, 2015.

163 (b) The Attorney General may bring a civil action on behalf of the
164 state against any tobacco product manufacturer that fails to place into
165 escrow the funds required under section 4-28i, as amended by this act.
166 Any tobacco product manufacturer that fails [in any year] to place into
167 escrow the funds required under section 4-28i, as amended by this act,
168 shall (1) be required within fifteen days to place such funds into
169 escrow as shall bring it into compliance with section 4-28i, as amended
170 by this act. The court, upon a finding of a violation of this subsection,

171 may impose a civil penalty in an amount not to exceed five per cent of
172 the amount improperly withheld from escrow per day of the violation
173 and in a total amount not to exceed one hundred per cent of the
174 original amount improperly withheld from escrow; (2) in the case of a
175 knowing violation, be required within fifteen days to place such funds
176 into escrow as shall bring it into compliance with section 4-28i, as
177 amended by this act. The court, upon a finding of a knowing violation
178 of this subsection, may impose a civil penalty in an amount not to
179 exceed fifteen per cent of the amount improperly withheld from
180 escrow per day of the violation and in a total amount not to exceed
181 three hundred per cent of the original amount improperly withheld
182 from escrow; and (3) in the case of a second knowing violation, be
183 prohibited from selling cigarettes to consumers within the state,
184 whether directly or through a distributor, dealer or similar
185 intermediary, for a period not to exceed two years. All costs, fees and
186 expenses in connection with such action shall be assessed as damages
187 against the tobacco product manufacturer together with reasonable
188 attorney's fees.

189 (c) Each failure to make [an annual] a deposit required under
190 section 4-28i, as amended by this act, shall constitute a separate
191 violation.

192 (d) For any tobacco product manufacturer that elects to place funds
193 into escrow pursuant to section 4-28i, as amended by this act, and that
194 is located outside the United States, each importer of such
195 nonparticipating manufacturer's cigarettes shall have joint and several
196 liability with such manufacturer for the deposit of all escrow amounts
197 due under section 4-28i, as amended by this act, and the payment of all
198 penalties imposed under subsection (b) of this section for the units sold
199 in this state.

200 Sec. 6. Section 4-28k of the general statutes is repealed and the
201 following is substituted in lieu thereof (*Effective January 1, 2015*):

202 As used in sections 4-28k to 4-28r, inclusive:

203 (1) "Brand family" means all styles of cigarettes sold under the same
204 trade mark and differentiated from one another by means of additional
205 modifiers or descriptors, including, but not limited to, menthol, lights,
206 kings and 100's, and includes any use of a brand name, alone or in
207 conjunction with any other word, trademark, logo, symbol, motto,
208 selling message, recognizable pattern of colors, or any other indicia of
209 product identification identical or similar to, or identifiable with, a
210 previously known brand of cigarettes;

211 (2) "Cigarette" has the same meaning as provided in section 4-28h,
212 as amended by this act;

213 (3) "Commissioner" means the Commissioner of Revenue Services;

214 (4) "Importer" has the same meaning as provided in section 4-28h, as
215 amended by this act;

216 (5) "Master Settlement Agreement" has the same meaning as
217 provided in section 4-28h, as amended by this act;

218 [(4)] (6) "Nonparticipating manufacturer" means any tobacco
219 product manufacturer that is not a participating manufacturer;

220 (7) "Nonparticipating Manufacturer Adjustment Settlement
221 Agreement" has the same meaning as provided in section 4-28h, as
222 amended by this act;

223 [(5)] (8) "Participating manufacturer" has the meaning as provided
224 in section II(jj) of the Master Settlement Agreement [, as defined in
225 section 4-28h,] and all amendments thereto;

226 [(6)] (9) "Qualified escrow fund" has the same meaning as provided
227 in section 4-28h, as amended by this act;

228 [(7)] (10) "Stamper" means, in the case of cigarettes other than roll-
229 your-own tobacco, a person that under chapter 214 may lawfully
230 purchase unstamped packages of cigarettes and affix Connecticut
231 cigarette tax stamps to such packages, and, in the case of roll-your-own

232 tobacco, a person licensed as a distributor under chapter 214a and
233 required to pay the tax due on such tobacco under said chapter 214a;

234 [(8)] (11) "Tobacco product manufacturer" has the same meaning as
235 provided in section 4-28h, as amended by this act; and

236 [(9)] (12) "Units sold" has the same meaning as provided in section
237 4-28h, as amended by this act.

238 Sec. 7. Section 4-28l of the general statutes is repealed and the
239 following is substituted in lieu thereof (*Effective January 1, 2015*):

240 (a) Any tobacco product manufacturer whose cigarettes are sold in
241 this state, whether directly or through a distributor, retailer or similar
242 intermediary or intermediaries, shall execute a certification annually
243 on a form prescribed by the commissioner, certifying under penalty of
244 law for false statement that, as of the date of such certification, such
245 tobacco product manufacturer is either a participating manufacturer in
246 full compliance with subdivision (1) of subsection (a) of section 4-28i,
247 as amended by this act, or is a nonparticipating manufacturer in full
248 compliance with the provisions of sections 4-28h to 4-28j, inclusive, as
249 amended by this act. Such tobacco product manufacturer shall deliver
250 such certificate to the commissioner and Attorney General no later
251 than April thirtieth of each year. Each tobacco product manufacturer
252 shall maintain all invoices and documentation of sales and other such
253 information relied upon for such certification for a period of five years
254 unless otherwise required by law to maintain them for a longer period
255 of time.

256 (b) If a tobacco product manufacturer is a participating
257 manufacturer, such manufacturer shall include in its certification a list
258 of its brand families. The participating manufacturer shall update such
259 list thirty days prior to any addition to, or modification of, its brand
260 families by executing and delivering a supplemental certification to the
261 Attorney General and the commissioner.

262 (c) If the tobacco product manufacturer is a nonparticipating

263 manufacturer, such manufacturer shall include in its certification: (1) A
264 list of all of its brand families and the number of units of each brand
265 family that were sold in the state during the preceding calendar year;
266 (2) a list of all of its brand families that have been sold in the state at
267 any time during the current calendar year; (3) an indication, by an
268 asterisk, of any brand family sold in the state during the preceding
269 calendar year that is no longer being sold in the state as of the date of
270 such certification; and (4) the name and address of any other
271 manufacturer of such brand families in the preceding or current
272 calendar year. Each nonparticipating manufacturer shall update such
273 list thirty days prior to any addition to, or modification of, its brand
274 families by executing and delivering a supplemental certification to the
275 Attorney General and the commissioner.

276 (d) If the tobacco product manufacturer is a nonparticipating
277 manufacturer, such manufacturer shall further (1) certify that such
278 nonparticipating manufacturer is registered to do business in this state
279 pursuant to title 33 or 34 as a foreign corporation or business entity or
280 has appointed an agent for service of process and provided notice
281 thereof as required by section 4-28n, as amended by this act, (2) certify
282 that such nonparticipating manufacturer has established and continues
283 to maintain a qualified escrow fund and has executed a qualified
284 escrow agreement that governs the qualified escrow fund, (3) certify
285 that such nonparticipating manufacturer is in full compliance with the
286 provisions of sections 4-28h to 4-28r, inclusive, as amended by this act,
287 and any regulations adopted under sections 4-28h to 4-28r, inclusive,
288 as amended by this act, [and] (4) provide (A) the name, address and
289 telephone number of the financial institution where the
290 nonparticipating manufacturer has established such qualified escrow
291 fund required pursuant to the provisions of sections 4-28h to 4-28j,
292 inclusive, as amended by this act, and all regulations adopted under
293 sections 4-28h to 4-28j, inclusive, as amended by this act; (B) the
294 account number of such qualified escrow fund and subaccount
295 number for the state of Connecticut; (C) the amount that such
296 nonparticipating manufacturer placed in such fund for cigarettes sold

297 in the state during the preceding calendar year, the date and amount of
298 each such deposit, and such evidence or verification as may be deemed
299 necessary by the commissioner or the Attorney General, to confirm the
300 foregoing; and (D) the amounts of and dates of any withdrawal or
301 transfer of funds the nonparticipating manufacturer made at any time
302 from such fund or from any other qualified escrow fund into which it
303 ever made escrow payments pursuant to the provisions of sections 4-
304 28h to 4-28j, inclusive, as amended by this act, and all regulations
305 adopted under sections 4-28h to 4-28j, inclusive, as amended by this
306 act, and (5) provide proof that such nonparticipating manufacturer has
307 posted the bond required under subsection (e) of section 4-28n, as
308 amended by this act.

309 (e) A tobacco product manufacturer may not include in its
310 certification a brand family unless (1) in the case of a participating
311 manufacturer, the participating manufacturer affirms that the brand
312 family is to be deemed to be its cigarettes for purposes of calculating
313 its payments under the Master Settlement Agreement for the relevant
314 year, in the volume and shares determined pursuant to the Master
315 Settlement Agreement; and (2) in the case of a nonparticipating
316 manufacturer, such nonparticipating manufacturer affirms that the
317 brand family is to be deemed to be its cigarettes for purposes of
318 sections 4-28h to 4-28j, inclusive, as amended by this act. Nothing in
319 this section shall be construed as limiting or otherwise affecting the
320 state's right to maintain that a brand family constitutes cigarettes of a
321 different tobacco product manufacturer for purposes of calculating
322 payments under the Master Settlement Agreement or for purposes of
323 sections 4-28h to 4-28j, inclusive, as amended by this act.

324 (f) A tobacco product manufacturer shall also (1) certify annually
325 that such manufacturer or its importer holds a valid permit under 26
326 USC 5713, as from time to time amended, and provide a copy of such
327 permit to the commissioner, and (2) certify that it is in compliance with
328 all reporting and registration requirements of 15 USC 375 et seq., as
329 from time to time amended.

330 (g) No tobacco product manufacturer shall submit a certification
331 required by this section that contains any material representation that
332 the manufacturer knows to be false or inaccurate.

333 Sec. 8. Subdivision (3) of subsection (a) of section 4-28m of the
334 general statutes is repealed and the following is substituted in lieu
335 thereof (*Effective January 1, 2015*):

336 (3) The commissioner shall not include or retain in the directory any
337 brand family of a nonparticipating manufacturer if the commissioner
338 concludes: (A) All escrow payments required pursuant to the
339 provisions of sections 4-28h to 4-28j, inclusive, as amended by this act,
340 for any period for any brand family, whether or not listed by such
341 nonparticipating manufacturer, have not been fully paid into a
342 qualified escrow fund governed by a qualified escrow agreement that
343 has been approved by the Attorney General; [, or] (B) any outstanding
344 final judgment, including interest thereon, for a violation of sections 4-
345 28h to 4-28j, inclusive, as amended by this act, has not been fully
346 satisfied for such brand family and such manufacturer; or (C) a
347 nonparticipating manufacturer's total nation-wide reported sales of
348 cigarettes on which federal excise tax is paid exceeds the sum of (i) its
349 nation-wide reports under 15 USC 375 et seq., as from time to time
350 amended, or those made by its importer, and (ii) any intrastate sales
351 reports under 15 USC 375 et seq., as from time to time amended, by
352 more than five per cent of its total nation-wide sales or one million
353 cigarettes, whichever is less, during any calendar year, unless the
354 nonparticipating manufacturer cures or satisfactorily explains the
355 discrepancy not later than ten days after receiving notice of the
356 discrepancy.

357 Sec. 9. Section 4-28n of the general statutes is repealed and the
358 following is substituted in lieu thereof (*Effective January 1, 2015*):

359 (a) Any nonparticipating manufacturer that has not registered to do
360 business in this state, pursuant to title 33 or 34, as a foreign corporation
361 or business entity shall, as a condition precedent to having its brand

362 families listed or retained in the directory maintained pursuant to
363 section 4-28m, as amended by this act, appoint and continually engage
364 without interruption the services of an agent in this state to act as
365 agent for the service of process on whom all process and any action or
366 proceeding against it concerning or arising out of the enforcement of
367 the provisions of sections 4-28h to 4-28r, inclusive, as amended by this
368 act, may be served in any manner authorized by law. Such service
369 shall constitute legal and valid service of process on the
370 nonparticipating manufacturer. The nonparticipating manufacturer
371 shall provide the name, address, telephone number and proof of the
372 appointment and availability of such agent to, and to the satisfaction
373 of, the commissioner and the Attorney General.

374 (b) A nonparticipating manufacturer shall provide notice to the
375 commissioner and the Attorney General at least thirty calendar days
376 prior to termination of the authority of an agent and shall further
377 provide proof, to the satisfaction of the commissioner and the Attorney
378 General, of the appointment of a new agent no less than five calendar
379 days prior to the termination of an existing agent appointment. In the
380 event an agent terminates an agency, the nonparticipating
381 manufacturer shall notify the commissioner and the Attorney General
382 of such termination not later than five calendar days after such
383 termination and shall include proof, to the satisfaction of the
384 commissioner and the Attorney General, of the appointment of a new
385 agent.

386 (c) Any nonparticipating manufacturer whose products are sold in
387 this state without appointing or designating an agent as required in
388 this section shall be deemed to have appointed the Secretary of the
389 State as such agent and may be proceeded against in courts of this state
390 by service of process upon the Secretary of the State, except that the
391 appointment of the Secretary of the State as such agent shall not satisfy
392 the condition precedent to having the brand families of the
393 nonparticipating manufacturer listed or retained in the directory.

394 (d) As a condition precedent to having its brand families listed or

395 retained in the directory, a nonparticipating manufacturer located
396 outside of the United States shall cause each of its importers into the
397 United States of each of its brand families to be sold in the state to
398 appoint and maintain the services of an agent in the state, and shall
399 provide notification to the commissioner and the Attorney General
400 regarding the agents of its importers in the manner prescribed in
401 subsections (a) and (b) of this section. Each importer of a
402 nonparticipating manufacturer's cigarettes that are sold in the state
403 who does not appoint or designate an agent as required in this section
404 shall be deemed to have appointed the Secretary of the State as such
405 agent and may be proceeded against in courts of this state by service of
406 process upon the Secretary of the State, except that the appointment of
407 the Secretary of the State as such agent shall not satisfy the condition
408 precedent to having the brand families of the nonparticipating
409 manufacturer listed or retained in the directory.

410 (e) (1) At least ten days prior to the first day of each calendar
411 quarter, as a condition precedent to having its brand families listed or
412 retained in the directory, each nonparticipating manufacturer shall file
413 with the commissioner a surety bond, the form of which shall be
414 approved by the Attorney General, that is issued by a bonding
415 company or insurance company authorized to do business in this state.
416 The bond shall be in favor of the commissioner and be in the principal
417 sum of the greater of (A) twenty-five thousand dollars, or (B) the
418 greatest amount of the total escrow payments owed in any of the five
419 calendar years preceding the filing of such bond.

420 (2) If the nonparticipating manufacturer that posted a bond has
421 failed to make, or have made on its behalf, escrow deposits equal to
422 the full amount owed for a quarter not later than fifteen days following
423 the due date for the quarter under section 4-28i, as amended by this
424 act, the commissioner may execute on the bond, to (A) recover the
425 delinquent escrow, which amount shall be deposited into a qualified
426 escrow account as defined in section 4-28h, as amended by this act, or
427 a reasonable alternative account as determined by the commissioner,
428 and (B) recover civil penalties and costs authorized under section 4-28j,

429 as amended by this act. Escrow amounts above the amount collected
430 on the bond shall remain due from the nonparticipating manufacturer
431 and, as provided in subsection (d) of section 4-28j, as amended by this
432 act, from the importers that sold such nonparticipating manufacturer's
433 cigarettes in this state during such calendar quarter.

434 Sec. 10. Section 4-28o of the general statutes is repealed and the
435 following is substituted in lieu thereof (*Effective January 1, 2015*):

436 (a) Not later than twenty-five days after the end of each month, and
437 more frequently if so directed by the commissioner, each stamper shall
438 submit such information as the commissioner requires to facilitate
439 compliance with sections 4-28k to 4-28r, inclusive, as amended by this
440 act, including, but not limited to, a list by brand family of the total
441 number of cigarettes, or in the case of roll-your-own tobacco, the
442 equivalent stick count, for which the stamper affixed stamps during
443 the previous month. The stamper shall maintain, and make available to
444 the commissioner for a period of five years, all invoices and
445 documentation of purchases and sales of all nonparticipating
446 manufacturer cigarettes and any other information relied upon in
447 reporting to the commissioner. Each stamper shall provide and update
448 as necessary an electronic mail address to the commissioner.

449 (b) (1) The commissioner may disclose to the Attorney General any
450 information received under sections 4-28k to 4-28r, inclusive, as
451 amended by this act, and requested by the Attorney General for
452 purposes of determining compliance with and enforcing the provisions
453 of sections 4-28k to 4-28r, inclusive, as amended by this act. The
454 commissioner and the Attorney General shall share with each other the
455 information received under sections 4-28k to 4-28r, inclusive, as
456 amended by this act, and may share such information with other
457 federal, state or local agencies [only] for purposes of law enforcement,
458 [of the provisions of sections 4-28h to 4-28r, inclusive, or
459 corresponding laws of other states.]

460 (2) Notwithstanding the provisions of section 12-15, the

461 commissioner may disclose to the Attorney General any returns or
462 return information, as defined in section 12-15, received pursuant to
463 this chapter or chapter 214 or 214a, when such returns or return
464 information is relevant to any arbitration or other dispute resolution
465 proceeding to which the state is a party, created or authorized under
466 the terms of the Master Settlement Agreement, as defined in section 4-
467 28h, as amended by this act, or any amendments to said agreement.
468 The Attorney General may further disclose such returns or return
469 information in such arbitration or other dispute resolution proceeding.

470 (3) Notwithstanding the provisions of section 12-15, the
471 commissioner may disclose to the Attorney General any returns or
472 return information, as defined in section 12-15, received pursuant to
473 this chapter or chapter 214 or 214a, when such returns or return
474 information is directly related to the state's implementation of the
475 Master Settlement Agreement or the Nonparticipating Manufacturer
476 Adjustment Settlement Agreement. The Attorney General may further
477 disclose (A) such returns or return information pursuant to an
478 agreement with an entity designated to serve as a data clearinghouse
479 in accordance with the terms of the Nonparticipating Manufacturer
480 Adjustment Settlement Agreement, or (B) returns or return
481 information of a distributor licensed under the provisions of chapter
482 214 or chapter 214a, to a nonparticipating manufacturer subject to the
483 provisions of subsection (a) of section 4-28i, as amended by this act,
484 provided the information disclosed is limited to information relating to
485 such manufacturer's sales to consumers within this state, whether
486 directly or through a distributor, dealer or similar intermediary or
487 intermediaries, of cigarettes, as defined in section 4-28h, as amended
488 by this act.

489 (c) The Attorney General may require at any time from a
490 nonparticipating manufacturer proof of the amount of money in the
491 qualified escrow fund maintained by such manufacturer for the
492 purpose of compliance with provisions of sections 4-28h to 4-28j,
493 inclusive, as amended by this act. Such proof shall be provided to such
494 manufacturer by the financial institution in which such manufacturer

495 has established such fund. Such proof shall include the amount of
496 money in such fund, exclusive of interest, the amount and date of each
497 deposit to such fund and the amount and date of each withdrawal
498 from such fund.

499 (d) In addition to the information requested to be submitted
500 pursuant to subsection (a) of this section and section 4-28l, as amended
501 by this act, the commissioner may require a stamper or tobacco
502 product manufacturer to submit any additional information including,
503 but not limited to, samples of the packaging or labeling of each brand
504 family, as is necessary to enable the Attorney General to determine
505 whether a tobacco product manufacturer is in compliance with the
506 provisions of sections 4-28k to 4-28r, inclusive, as amended by this act.

507 (e) [To promote compliance with the provisions of sections 4-28k to
508 4-28r, inclusive, the commissioner may adopt regulations, in
509 accordance with the provisions of chapter 54, requiring a tobacco
510 product manufacturer subject to the requirements of subsection (c) of
511 section 4-28l to make the escrow deposits required in quarterly
512 installments during the year in which the sales covered by such
513 deposits are made.] The commissioner may require production of
514 information from a nonparticipating manufacturer, importer or
515 stamper sufficient to enable the [commissioner] Attorney General to
516 determine the adequacy of the amount of [the installment deposit] a
517 quarterly escrow deposit under subsection (a) of section 4-28i, as
518 amended by this act.

519 (f) (1) Each tobacco product manufacturer and importer that sells
520 cigarettes in or into the state shall, not later than fifteen days after the
521 end of the month, file a report on a form and in the manner prescribed
522 by the commissioner and certify that the report is complete and
523 accurate.

524 (2) The report shall contain the following information: The total
525 number of cigarettes sold by such manufacturer or importer in or into
526 the state during that month and identifying by name and number of

527 cigarettes, (A) the manufacturers of such cigarettes, (B) the brand
528 families of such cigarettes, and (C) the purchasers of such cigarettes. A
529 manufacturer's or importer's report shall include cigarettes sold in or
530 into the state through an affiliate.

531 (3) The requirements of subdivisions (1) and (2) of this subsection
532 shall be satisfied and no further report shall be required under
533 subdivisions (1) and (2) of this subsection with respect to cigarettes if
534 the manufacturer or importer timely submits to the commissioner the
535 report or reports required to be submitted by it with respect to
536 cigarettes under 15 USC 375 et seq., as from time to time amended, and
537 certifies that the reports are complete and accurate.

538 (4) Upon request by the commissioner or Attorney General, a
539 manufacturer or importer shall provide copies of all sales reports
540 required to be submitted under 15 USC 375 et seq., as from time to
541 time amended, that such manufacturer or importer filed in other states.

542 (5) Each manufacturer or importer that sells cigarettes in or into the
543 state shall either (A) submit its federal excise tax returns and all
544 monthly operational reports on Alcohol and Tobacco Tax and Trade
545 Bureau Form 5210.5 or any subsequent corresponding form, and all
546 adjustments, changes and amendments to such reports to the
547 commissioner not later than thirty days after the returns are filed, or
548 (B) submit to the United States Treasury a valid request or consent
549 under Section 6103(c) of the Internal Revenue Code of 1986, or any
550 subsequent corresponding internal revenue code of the United States,
551 as from time to time amended, authorizing the federal Alcohol and
552 Tobacco Tax and Trade Bureau and, in the case of a foreign
553 manufacturer or importer, the United States Customs and Border
554 Protection, to disclose the manufacturer's or importer's federal excise
555 tax returns to the commissioner.

556 Sec. 11. Subsections (c) and (d) of section 12-391 of the 2014
557 supplement to the general statutes are repealed and the following is
558 substituted in lieu thereof (*Effective from passage*):

559 (c) For purposes of this section:

560 (1) (A) "Connecticut taxable estate" means, with respect to the
561 estates of decedents dying on or after January 1, 2005, but prior to
562 January 1, 2010, (i) the gross estate less allowable deductions, as
563 determined under Chapter 11 of the Internal Revenue Code, plus (ii)
564 the aggregate amount of all Connecticut taxable gifts, as defined in
565 section 12-643, made by the decedent for all calendar years beginning
566 on or after January 1, 2005, but prior to January 1, 2010. The deduction
567 for state death taxes paid under Section 2058 of said code shall be
568 disregarded.

569 (B) "Connecticut taxable estate" means, with respect to the estates of
570 decedents dying on or after January 1, 2010, but prior to January 1,
571 2015, (i) the gross estate less allowable deductions, as determined
572 under Chapter 11 of the Internal Revenue Code, plus (ii) the aggregate
573 amount of all Connecticut taxable gifts, as defined in section 12-643,
574 made by the decedent for all calendar years beginning on or after
575 January 1, 2005. The deduction for state death taxes paid under Section
576 2058 of said code shall be disregarded.

577 (C) "Connecticut taxable estate" means, with respect to the estates of
578 decedents dying on or after January 1, 2015, (i) the gross estate less
579 allowable deductions, as determined under Chapter 11 of the Internal
580 Revenue Code, plus (ii) the aggregate amount of all Connecticut
581 taxable gifts, as defined in section 12-643, made by the decedent for all
582 calendar years beginning on or after January 1, 2005, other than
583 Connecticut taxable gifts that are includable in the gross estate for
584 federal estate tax purposes of the decedent, plus (iii) the amount of any
585 tax paid to this state pursuant to section 12-642 by the decedent or the
586 decedent's estate on any gift made by the decedent or the decedent's
587 spouse during the three-year period preceding the date of the
588 decedent's death. The deduction for state death taxes paid under
589 Section 2058 of the Internal Revenue Code shall be disregarded.

590 (2) "Internal Revenue Code" means the Internal Revenue Code of

1986, or any subsequent corresponding internal revenue code of the United States, as from time to time amended, except in the event of repeal of the federal estate tax, then all references to the Internal Revenue Code in this section shall mean the Internal Revenue Code as in force on the day prior to the effective date of such repeal.

(3) "Gross estate" means the gross estate, for federal estate tax purposes.

(d) (1) (A) With respect to the estates of decedents who die on or after January 1, 2005, but prior to January 1, 2010, a tax is imposed upon the transfer of the estate of each person who at the time of death was a resident of this state. The amount of the tax shall be determined using the schedule in subsection (g) of this section. A credit shall be allowed against such tax for any taxes paid to this state pursuant to section 12-642 for Connecticut taxable gifts made on or after January 1, 2005, but prior to January 1, 2010.

(B) With respect to the estates of decedents who die on or after January 1, 2010, but prior to January 1, 2015, a tax is imposed upon the transfer of the estate of each person who at the time of death was a resident of this state. The amount of the tax shall be determined using the schedule in subsection (g) of this section. A credit shall be allowed against such tax for any taxes paid to this state pursuant to section 12-642 for Connecticut taxable gifts made on or after January 1, 2005, provided such credit shall not exceed the amount of tax imposed by this section.

(C) With respect to the estates of decedents who die on or after January 1, 2015, a tax is imposed upon the transfer of the estate of each person who at the time of death was a resident of this state. The amount of the tax shall be determined using the schedule in subsection (g) of this section. A credit shall be allowed against such tax for (i) any taxes paid to this state pursuant to section 12-642 by the decedent or the decedent's estate for Connecticut taxable gifts made on or after January 1, 2005, and (ii) any taxes paid by the decedent's spouse to this

623 state pursuant to section 12-642 for Connecticut taxable gifts made by
624 the decedent on or after January 1, 2005, that are includable in the
625 gross estate of the decedent, provided such credit shall not exceed the
626 amount of tax imposed by this section.

627 (2) If real or tangible personal property of such decedent is located
628 outside of this state, the amount of tax due under this section shall be
629 reduced by an amount computed by multiplying the tax otherwise due
630 pursuant to subdivision (1) of this subsection, without regard to the
631 credit allowed for any taxes paid to this state pursuant to section 12-
632 642, by a fraction, [(i)] (A) the numerator of which is the value of that
633 part of the decedent's gross estate attributable to real or tangible
634 personal property located outside of the state, and [(ii)] (B) the
635 denominator of which is the value of the decedent's gross estate.

636 (3) For a resident estate, the state shall have the power to levy the
637 estate tax upon real property situated in this state, tangible personal
638 property having an actual situs in this state and intangible personal
639 property included in the gross estate of the decedent, regardless of
640 where it is located. The state is permitted to calculate the estate tax and
641 levy said tax to the fullest extent permitted by the Constitution of the
642 United States.

643 Sec. 12. *(Effective from passage)* Section 120 of public act 13-247, shall
644 take effect June 19, 2013. It is the intent of the General Assembly that
645 the amendments made by section 120 of public act 13-247 to
646 subsections (d) and (e) of section 12-391 of the general statutes, as
647 amended by this act, are clarifying in nature and apply to all open
648 estates.

649 Sec. 13. Section 12-7a of the general statutes is repealed and the
650 following is substituted in lieu thereof *(Effective July 1, 2014)*:

651 (a) (1) The annual report prepared by the Commissioner of Revenue
652 Services for submission to the Governor and publication as provided
653 in section 4-60 shall not be required to include the name of any person
654 liable for payment of any tax which is unpaid. The commissioner shall

655 prepare and maintain a list related to each type of tax levied by the
656 state, containing the name and address of any person or corporation
657 liable for payment of any such tax and the amount thereof, including
658 any applicable interest or penalties, which tax, as of the end of the
659 fiscal year with respect to which such report is prepared, is unpaid and
660 a period in excess of ninety days has elapsed following the date on
661 which such tax was due, exclusive of any tax determined to be
662 uncollectible in accordance with section 12-37, any tax on which an
663 appeal is pending and any tax which has been abated by said
664 commissioner as provided in section 12-39. Such lists shall be available
665 to the public for inspection by any person.

666 (2) The commissioner shall, prior to eliminating any person or
667 corporation from the list prepared and maintained as provided in
668 subdivision (1) of this subsection, indicate on such list whether such
669 person or corporation is being eliminated from such list due to (A)
670 payment in full of the tax, including applicable interest or penalties, (B)
671 a negotiated settlement of the amount of tax due, or (C) a
672 determination by the commissioner that such tax is uncollectable.

673 (b) The commissioner shall annually prepare, from the list prepared
674 pursuant to subsection (a) of this section, a list of taxpayers who are
675 delinquent in the payment of the corporation business tax under
676 chapter 208. The list shall be arranged in sequential order by the
677 taxpayer identification number assigned by the commissioner and
678 shall be provided to the Secretary of the Office of Policy and
679 Management not later than July fifteenth annually, commencing July
680 15, 1998.

681 (c) The commissioner may make available for public inspection a list
682 of those persons who have applied to the commissioner for a license,
683 permit or certificate and whose application has been denied, and those
684 persons who were issued a license, permit or certificate by the
685 commissioner and whose license, permit or certificate has been
686 revoked, suspended or not renewed by the commissioner. The list shall
687 be arranged by tax type and may include the date on which an

688 application was denied or the date on which the license, permit or
689 certificate was revoked, suspended or not renewed, and may include
690 the reason for each such action.

691 Sec. 14. Section 12-414 of the general statutes is repealed and the
692 following is substituted thereof (*Effective October 1, 2014*):

693 [(1)] (a) The taxes imposed by this chapter are due and payable to
694 the commissioner monthly on or before the [last] twentieth day of the
695 month next succeeding each monthly period except that (1) every
696 person whose total tax liability for the twelve-month period [ended]
697 ending on the preceding June thirtieth was less than four thousand
698 dollars shall [file returns] remit tax on a quarterly basis, and (2) every
699 person described in subdivision (2) of subsection (e) of this section
700 shall remit tax as prescribed by the commissioner under said
701 subdivision (2). "Quarterly" means a period of three calendar months
702 commencing on the first day of January, April, July or October of each
703 year or, if any seller commences business on a date other than the first
704 day of January, April, July or October, a period beginning on the date
705 of commencement of business and ending on March thirty-first, June
706 thirtieth, September thirtieth or December thirty-first, respectively.

707 [(2)] (b) On or before the [last] twentieth day of the month following
708 each monthly or quarterly period, as the case may be, or on the date or
709 dates prescribed by the commissioner under subsection (e) of this
710 section, a return for the preceding period shall be filed with the
711 commissioner in such form as the commissioner may prescribe. For
712 purposes of the sales tax a return shall be filed by every seller. For
713 purposes of the use tax a return shall be filed by every retailer engaged
714 in business in the state and by every person purchasing services or
715 tangible personal property, the storage, acceptance, consumption or
716 other use of which is subject to the use tax, who has not paid the use
717 tax due a retailer required to collect the tax, except that every person
718 making such purchases for personal use or consumption in this state,
719 and not for use or consumption in carrying on a trade, occupation,
720 business or profession, need file only one use tax return covering

721 purchases during a calendar year. Such return shall be filed and the tax
722 due thereon paid on or before the fifteenth day of the fourth month
723 succeeding the end of the calendar year for which such return is filed.
724 Returns shall be signed by the person required to file the return or by
725 his or her authorized agent but need not be verified by oath, provided
726 a return required to be filed by a corporation shall be signed by an
727 officer of such corporation.

728 [(3)] (c) For purposes of the sales tax, the return shall show the gross
729 receipts of the seller during the preceding reporting period. For
730 purposes of the use tax, in case of a return filed by a retailer, the return
731 shall show the total sales price of the services or property sold by [him]
732 the retailer, the storage, acceptance, consumption or other use of which
733 became subject to the use tax during the preceding reporting period; in
734 case of a return filed by a purchaser, the return shall show the total
735 sales price of the service or property purchased by [him] the purchaser,
736 the storage, acceptance, consumption or other use of which became
737 subject to the use tax during the preceding reporting period. The
738 return shall also show the amount of the taxes for the period covered
739 by the return in such manner as the commissioner may require and
740 such other information as the commissioner deems necessary for the
741 proper administration of this chapter. The Commissioner of Revenue
742 Services is authorized in his or her discretion, for purposes of
743 expediency, to permit returns to be filed in an alternative form wherein
744 the person filing the return may elect to report his or her gross receipts,
745 including the tax reimbursement to be collected as provided for
746 [herein] in this section, as a part of such gross receipts or to report his
747 or her gross receipts exclusive of the tax collected in such cases where
748 the gross receipts from sales have been segregated from tax collections.
749 In the case of the former, the percentage of such tax-included gross
750 receipts that may be considered to be the gross receipts from sales
751 exclusive of the taxes collected thereon shall be computed by dividing
752 the numeral one by the sum of the rate of tax provided in section 12-
753 408, expressed as a decimal, and the numeral one.

754 [(4)] (d) Returns, together with the amount of the tax due thereon,

755 shall be filed with the Commissioner of Revenue Services.

756 ~~[(5)]~~ (e) (1) The commissioner, if he or she deems it necessary in
757 order to insure payment to or facilitate the collection by the state of the
758 amount of taxes, may permit or require returns and payment of the
759 amount of taxes for other than monthly or quarterly periods.

760 (2) (A) For purposes of this subdivision, "weekly period" means the
761 seven-day period beginning on a Saturday and ending the following
762 Friday. The commissioner may require any person who is delinquent,
763 as described in section 12-7a, as amended by this act, to remit the tax
764 collected during a weekly period on a weekly basis. Any person who is
765 required to remit tax for a weekly period shall remit such tax to the
766 commissioner on or before the Wednesday next succeeding the weekly
767 period and shall do so in the manner and method prescribed by the
768 commissioner. The requirement to remit tax on a weekly basis shall not
769 alter a person's obligation to file monthly or quarterly returns, as the
770 case may be, as provided in subsection (b) of this section. To the extent
771 that the end of one month and the beginning of the following month
772 may fall within the same weekly period, each person required by the
773 commissioner to remit tax under this subparagraph shall report all of
774 the tax collected and remitted during such weekly period, regardless
775 of the month, along with the corresponding gross receipts, on the
776 return covering the monthly period that ended during such weekly
777 period.

778 (B) The commissioner shall send a written notice, in accordance
779 with the provisions of section 12-2f, informing each person required to
780 remit tax on a weekly basis pursuant to this subdivision of such
781 requirement. Any person so required shall remit tax on a weekly basis
782 for a period of one year commencing from the date set forth in such
783 notice. Such notice shall also contain information regarding the
784 manner and method of such remittal.

785 (C) Any person who fails to remit tax as provided in this
786 subdivision shall be subject to all penalties imposed under this chapter,

787 including revocation of such person's permit.

788 ~~[(6) The]~~ (f) Except for returns and payments required to be made
789 under subdivision (2) of subsection (e) of this section, the
790 commissioner for good cause may extend the time for making any
791 return and paying any amount required to be paid under this chapter,
792 if a written request therefor is filed with the commissioner together
793 with a tentative return which must be accompanied by a payment of
794 the tax, which shall be estimated in such tentative return, on or before
795 the last day for filing the return. Any person to whom an extension is
796 granted shall pay, in addition to the tax, interest at the rate of one per
797 cent per month or fraction thereof from the date on which the tax
798 would have been due without the extension until the date of payment.

799 Sec. 15. (NEW) (*Effective from passage*) (a) The Commissioner of
800 Revenue Services shall enter into agreements with financial
801 institutions, as defined in Section 469A(d)(1) of the Social Security Act,
802 as amended from time to time, doing business in this state, to develop
803 and operate a data match system using automated data exchanges to
804 the maximum extent feasible. Notwithstanding the provisions of
805 section 12-15 of the general statutes, the commissioner shall provide to
806 each financial institution a list of taxpayers who owe taxes to the state,
807 which taxes are finally due and payable and with respect to which
808 every administrative or judicial remedy, or both, has been exhausted
809 or has lapsed. Such list shall include each taxpayer's address, Social
810 Security number or other taxpayer identification number. Not later
811 than ninety days after receipt of such list from the commissioner, each
812 financial institution shall provide the commissioner with the names of
813 those taxpayers who appear on the commissioner's list who maintain
814 an account with such financial institution, the address and Social
815 Security number or other taxpayer identification number associated
816 with each such account and a statement as to whether the balance of
817 each such account exceeds one thousand dollars. For the purposes of
818 this section, "account" means a demand deposit account, checking or
819 negotiable order of withdrawal account, savings account, time deposit
820 account or money market mutual fund account.

821 (b) A financial institution shall not be liable to any person for (1)
822 disclosing information to the Commissioner of Revenue Services
823 pursuant to this section, or (2) any other action taken in good faith to
824 comply with the requirements of subsection (a) of this section.

825 Sec. 16. Subdivision (10) of subsection (a) of section 12-701 of the
826 general statutes is repealed and the following is substituted in lieu
827 thereof (*Effective from passage and applicable to taxable years commencing*
828 *on or after January 1, 2014*):

829 (10) "Connecticut fiduciary adjustment" means the net positive or
830 negative total of the following items relating to income, gain, loss or
831 deduction of a trust or estate: (A) There shall be added together (i) any
832 interest income from obligations issued by or on behalf of any state,
833 political subdivision thereof, or public instrumentality, state or local
834 authority, district or similar public entity, exclusive of such income
835 from obligations issued by or on behalf of the state of Connecticut, any
836 political subdivision thereof, or public instrumentality, state or local
837 authority, district or similar public entity created under the laws of the
838 state of Connecticut and exclusive of any such income with respect to
839 which taxation by any state is prohibited by federal law, (ii) any
840 exempt-interest dividends, as defined in Section 852(b)(5) of the
841 Internal Revenue Code, exclusive of such exempt-interest dividends
842 derived from obligations issued by or on behalf of the state of
843 Connecticut, any political subdivision thereof, or public
844 instrumentality, state or local authority, district or similar public entity
845 created under the laws of the state of Connecticut and exclusive of
846 such exempt-interest dividends derived from obligations, the income
847 with respect to which taxation by any state is prohibited by federal
848 law, (iii) any interest or dividend income on obligations or securities of
849 any authority, commission or instrumentality of the United States
850 which federal law exempts from federal income tax but does not
851 exempt from state income taxes, (iv) to the extent properly includable
852 in determining the net gain or loss from the sale or other disposition of
853 capital assets for federal income tax purposes, any loss from the sale or
854 exchange of obligations issued by or on behalf of the state of

855 Connecticut, any political subdivision thereof, or public
856 instrumentality, state or local authority, district or similar public entity
857 created under the laws of the state of Connecticut, in the income year
858 such loss was recognized, (v) to the extent deductible in determining
859 federal taxable income prior to deductions relating to distributions to
860 beneficiaries, any income taxes imposed by this state, (vi) to the extent
861 deductible in determining federal taxable income prior to deductions
862 relating to distributions to beneficiaries, any interest on indebtedness
863 incurred or continued to purchase or carry obligations or securities the
864 interest on which is exempt from tax under this chapter, (vii) expenses
865 paid or incurred during the taxable year for the production or
866 collection of income which is exempt from tax under this chapter, or
867 the management, conservation or maintenance of property held for the
868 production of such income, and the amortizable bond premium for the
869 taxable year on any bond the interest on which is exempt from taxation
870 under this chapter, to the extent that such expenses and premiums are
871 deductible in determining federal taxable income prior to deductions
872 relating to distributions to beneficiaries, [and] (viii) to the extent
873 deductible in determining federal taxable income prior to deductions
874 relating to distributions to beneficiaries, the deduction allowable as
875 qualified domestic production activities income, pursuant to Section
876 199 of the Internal Revenue Code, and (ix) to the extent not includable
877 in federal taxable income prior to deductions relating to distributions
878 to beneficiaries, the total amount of a lump sum distribution for the
879 taxable year. (B) There shall be subtracted from the sum of such items
880 (i) to the extent properly includable in gross income for federal income
881 tax purposes, any income with respect to which taxation by any state is
882 prohibited by federal law, (ii) to the extent allowable under section 12-
883 718, exempt dividends paid by a regulated investment company, (iii)
884 with respect to any trust or estate which is a shareholder of an S
885 corporation which is carrying on, or which has the right to carry on,
886 business in this state, as said term is used in section 12-214, the amount
887 of such shareholder's pro rata share of such corporation's
888 nonseparately computed items, as defined in Section 1366 of the
889 Internal Revenue Code, that is subject to tax under chapter 208, in

890 accordance with subsection (c) of section 12-217 multiplied by such
891 corporation's apportionment fraction, if any, as determined in
892 accordance with section 12-218, (iv) to the extent properly includable
893 in gross income for federal income tax purposes, any interest income
894 from obligations issued by or on behalf of the state of Connecticut, any
895 political subdivision thereof, or public instrumentality, state or local
896 authority, district or similar public entity created under the laws of the
897 state of Connecticut, (v) to the extent properly includable in
898 determining the net gain or loss from the sale or other disposition of
899 capital assets for federal income tax purposes, any gain from the sale
900 or exchange of obligations issued by or on behalf of the state of
901 Connecticut, any political subdivision thereof, or public
902 instrumentality, state or local authority, district or similar public entity
903 created under the laws of the state of Connecticut, in the income year
904 such gain was recognized, (vi) any interest on indebtedness incurred
905 or continued to purchase or carry obligations or securities the interest
906 on which is subject to tax under this chapter, but exempt from federal
907 income tax, to the extent that such interest on indebtedness is not
908 deductible in determining federal taxable income prior to deductions
909 relating to distributions to beneficiaries, (vii) ordinary and necessary
910 expenses paid or incurred during the taxable year for the production
911 or collection of income which is subject to taxation under this chapter,
912 but exempt from federal income tax, or the management, conservation
913 or maintenance of property held for the production of such income,
914 and the amortizable bond premium for the taxable year on any bond
915 the interest on which is subject to tax under this chapter, but exempt
916 from federal income tax, to the extent that such expenses and
917 premiums are not deductible in determining federal taxable income
918 prior to deductions relating to distributions to beneficiaries, and (viii)
919 the amount of any refund or credit for overpayment of income taxes
920 imposed by this state, to the extent properly includable in gross
921 income for federal income tax purposes for the taxable year and to the
922 extent deductible in determining federal taxable income prior to
923 deductions relating to distributions to beneficiaries for the preceding
924 taxable year.

925 Sec. 17. Subsection (a) of section 12-711 of the general statutes is
926 repealed and the following is substituted in lieu thereof (*Effective from*
927 *passage*):

928 (a) The income of a nonresident natural person derived from or
929 connected with sources within this state shall be the sum of the net
930 amount of items of income, gain, loss and deduction entering into his
931 or her Connecticut adjusted gross income for the taxable year, derived
932 from or connected with sources within this state, including: (1) His or
933 her distributive share of partnership income, gain, loss and deduction,
934 determined under section 12-712; [, and] (2) his or her pro rata share of
935 S corporation income, gain, loss and deduction, determined under
936 section 12-712; [, and] (3) his or her share of estate or trust income,
937 gain, loss and deduction, determined under section 12-714; and (4) his
938 or her compensation from nonqualified deferred compensation plans
939 attributable to services performed within the state, including, but not
940 limited to, compensation required to be included in federal gross
941 income under Section 457A of the Internal Revenue Code.

942 Sec. 18. Subsections (b) and (c) of section 12-711 of the general
943 statutes are repealed and the following is substituted in lieu thereof
944 (*Effective from passage and applicable to taxable years commencing on or after*
945 *January 1, 2014*):

946 (b) (1) Items of income, gain, loss and deduction derived from or
947 connected with sources within this state shall be those items
948 attributable to: (A) The ownership or disposition of any interest in real
949 property in this state or tangible personal property in this state, as
950 determined pursuant to subdivision (5) of this subsection; (B) a
951 business, trade, profession or occupation carried on in this state; (C) in
952 the case of a shareholder of an S corporation, the ownership of shares
953 issued by such corporation, to the extent determined under section 12-
954 712; or (D) winnings from a wager placed in a lottery conducted by the
955 Connecticut Lottery Corporation, if the proceeds from such wager are
956 required, under the Internal Revenue Code or regulations adopted
957 thereunder, to be reported by the Connecticut Lottery Corporation to

958 the Internal Revenue Service.

959 (2) Income from intangible personal property, including annuities,
960 dividends, interest and gains from the disposition of intangible
961 personal property, shall constitute income derived from sources within
962 this state only to the extent that such income is from (A) property
963 employed in a business, trade, profession or occupation carried on in
964 this state, or (B) winnings from a wager placed in a lottery conducted
965 by the Connecticut Lottery Corporation, if the proceeds from such
966 wager are required, under the Internal Revenue Code or regulations
967 adopted thereunder, to be reported by the Connecticut Lottery
968 Corporation to the Internal Revenue Service.

969 (3) Deductions with respect to capital losses and net operating losses
970 shall be based solely on income, gain, loss and deduction derived from
971 or connected with sources within this state, under regulations adopted
972 by the commissioner, but otherwise shall be determined in the same
973 manner as the corresponding federal deductions.

974 (4) Income directly or indirectly derived by an athlete, entertainer or
975 performing artist from closed-circuit and cable television transmissions
976 of an event, other than events occurring on a regularly scheduled basis,
977 taking place within this state as a result of the rendition of services by
978 such athlete, entertainer or performing artist shall constitute income
979 derived from or connected with sources within this state only to the
980 extent that such transmissions were received or exhibited within this
981 state.

982 (5) For purposes of subparagraph (A) of subdivision (1) of this
983 subsection, "real property in this state" includes an interest in an entity,
984 and "entity" means a partnership, limited liability company or S
985 corporation that owns real property that is located within this state
986 and has a fair market value that equals or exceeds fifty per cent of all
987 the assets of the entity on the date of sale or disposition by a
988 nonresident natural person of such person's interest in the entity. Only
989 those assets that the entity owned for at least two years prior to the

990 date of the sale or disposition of the person's interest in the entity shall
991 be used in determining the fair market value of all the assets of the
992 entity on the date of such sale or disposition. The gain or loss derived
993 from Connecticut sources from such person's sale or disposition of an
994 interest in such entity is the total gain or loss for federal income tax
995 purposes from such sale or disposition multiplied by a fraction, the
996 numerator of which is the fair market value of all real property located
997 in this state owned by the entity on the date of such sale or disposition,
998 and the denominator of which is the fair market value of all the assets
999 of the entity on the date of such sale or disposition.

1000 (c) (1) If a business, trade, profession or occupation is carried on
1001 partly within and partly without this state, as determined under rules
1002 or regulations of the commissioner, the items of income, gain, loss and
1003 deduction derived from or connected with sources within this state
1004 shall be determined by apportionment under such rules or regulations
1005 and the provisions of this subsection.

1006 (2) The proportion of the net amount of the items of income, gain,
1007 loss and deduction attributable to the activities of the business, trade,
1008 profession or occupation carried on in this state shall be determined by
1009 multiplying the net amount of the items of income, gain, loss and
1010 deduction of the business, trade, profession or occupation by the
1011 average of the percentages of property, payroll and gross income in
1012 this state. The gross income percentage shall be computed by dividing
1013 the gross receipts from sales of property or services earned within this
1014 state by the total gross receipts from sales of property or services,
1015 whether earned within or without this state. Gross receipts from sales
1016 of property are considered to be earned within this state when the
1017 property is delivered or shipped to a purchaser within this state,
1018 regardless of the F.O.B. point or other conditions of the sale. Gross
1019 receipts from sales of services are considered to be earned within the
1020 state when the services are performed by an employee, agent, agency
1021 or independent contractor chiefly situated at, connected by contract or
1022 otherwise, with or sent out from, offices or branches of the business,
1023 trade, profession or occupation or other agencies or locations situated

1024 within this state.

1025 Sec. 19. Section 12-432c of the general statutes is repealed and the
1026 following is substituted in lieu thereof (*Effective October 1, 2014*):

1027 (a) If any cumulative monthly financial statement issued by the
1028 Comptroller pursuant to section 3-115 after September 9, 2009, and
1029 before January 1, 2010, indicates that the estimated gross tax revenue
1030 to the General Fund, to the end of the fiscal year ending June 30, 2010,
1031 is at least one per cent less than the estimated gross tax revenue to the
1032 General Fund for said fiscal year, included in public act 09-3 of the
1033 June special session pursuant to section 2-35, the amendments made to
1034 the provisions of subdivisions (1) and (3) of section 12-408, subdivision
1035 (1) of section 12-411, subsection (c) of section 12-411b and [subdivision
1036 (3)] subsection (c) of section 12-414, as amended by this act, pursuant
1037 to sections 108 to 112, inclusive, of public act 09-3 of the June special
1038 session, shall not take effect.

1039 (b) If any cumulative monthly financial statement issued by the
1040 Comptroller pursuant to section 3-115 after January 1, 2010, and on or
1041 before June 30, 2010, indicates that the estimated gross tax revenue to
1042 the General Fund, to the end of the fiscal year ending June 30, 2010, is
1043 at least one per cent less than the estimated gross tax revenue to the
1044 General Fund for said fiscal year, included in public act 09-3 of the
1045 June special session pursuant to section 2-35, (1) the amendments
1046 made to the provisions of subdivisions (1) and (3) of section 12-408,
1047 subdivision (1) of section 12-411, subsection (c) of section 12-411b and
1048 [subdivision (3)] subsection (c) of section 12-414, as amended by this
1049 act, pursuant to sections 108 to 112, inclusive, of public act 09-3 of the
1050 June special session, shall, on and after July 1, 2010, be inoperative and
1051 have no effect, and (2) the provisions of said subdivisions and
1052 subsection of said sections of the general statutes, revision of 1958,
1053 revised to December 31, 2009, shall be effective on and after July 1,
1054 2010.

1055 Sec. 20. Section 36a-42 of the general statutes is repealed and the

1056 following is substituted in lieu thereof (*Effective from passage*):

1057 A financial institution may not disclose to any person, except to the
 1058 customer or the customer's duly authorized agent, any financial
 1059 records relating to such customer unless the customer has authorized
 1060 disclosure to such person or the financial records are disclosed in
 1061 response to (1) a certificate signed by the Commissioner of
 1062 Administrative Services or the Commissioner of Social Services
 1063 pursuant to the provisions of section 17b-137, (2) a lawful subpoena,
 1064 summons, warrant or court order as provided in section 36a-43, (3)
 1065 interrogatories by a judgment creditor or a demand by a levying
 1066 officer as provided in sections 52-351b and 52-356a, (4) a certificate
 1067 issued by a medical provider or its attorney under subsection (b) of
 1068 section 17b-124, provided nothing in this subsection shall require the
 1069 provider or its attorney to furnish to the financial institution any
 1070 application for medical assistance filed pursuant to an agreement with
 1071 the IV-D agency under subsection (c) of section 17b-137, (5) a certificate
 1072 signed by the Commissioner of Veterans' Affairs pursuant to section
 1073 27-117, (6) the consent of an elderly person or the representative of
 1074 such elderly person provided to a person, department, agency or
 1075 commission pursuant to section 17b-454, provided the financial
 1076 institution shall have no obligation to determine the capacity of such
 1077 elderly person or the representative of such elderly person to provide
 1078 such consent, [or] (7) a request for information served upon a financial
 1079 institution in accordance with subsection (e) of section 12-162, or (8) a
 1080 request for information made by the Commissioner of Revenue
 1081 Services pursuant to section 15 of this act.

This act shall take effect as follows and shall amend the following sections:

| | | |
|-----------|------------------------|-------------|
| Section 1 | <i>from passage</i> | New section |
| Sec. 2 | <i>from passage</i> | New section |
| Sec. 3 | <i>January 1, 2015</i> | 4-28h |
| Sec. 4 | <i>January 1, 2015</i> | 4-28i(a) |
| Sec. 5 | <i>January 1, 2015</i> | 4-28j |
| Sec. 6 | <i>January 1, 2015</i> | 4-28k |

| | | |
|---------|--|-------------------|
| Sec. 7 | <i>January 1, 2015</i> | 4-28l |
| Sec. 8 | <i>January 1, 2015</i> | 4-28m(a)(3) |
| Sec. 9 | <i>January 1, 2015</i> | 4-28n |
| Sec. 10 | <i>January 1, 2015</i> | 4-28o |
| Sec. 11 | <i>from passage</i> | 12-391(c) and (d) |
| Sec. 12 | <i>from passage</i> | New section |
| Sec. 13 | <i>July 1, 2014</i> | 12-7a |
| Sec. 14 | <i>October 1, 2014</i> | 12-414 |
| Sec. 15 | <i>from passage</i> | New section |
| Sec. 16 | <i>from passage and applicable to taxable years commencing on or after January 1, 2014</i> | 12-701(a)(10) |
| Sec. 17 | <i>from passage</i> | 12-711(a) |
| Sec. 18 | <i>from passage and applicable to taxable years commencing on or after January 1, 2014</i> | 12-711(b) and (c) |
| Sec. 19 | <i>October 1, 2014</i> | 12-432c |
| Sec. 20 | <i>from passage</i> | 36a-42 |

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

| Agency Affected | Fund-Effect | FY 15 \$ | FY 16 \$ |
|--|-----------------------------|------------------|------------------|
| Department of Revenue Services | TF - Revenue Loss | 150,000 | 150,000 |
| Department of Revenue Services | GF - Cost | Less than 10,000 | Less than 10,000 |
| Department of Revenue Services; Attorney General | GF - Precludes Revenue Loss | Potential | Potential |
| Department of Revenue Services | GF - Revenue Impact | See Below | See Below |

Municipal Impact: None

Explanation

Section 1 clarifies the procedure by which the Department of Revenue Services (DRS) may evaluate prospective employees. This does not result in any fiscal impact as it codifies current agency practice.

Section 2 requires DRS, in consultation with the Department of Energy and Environmental Protection, to issue information concerning reconfiguring the tax on motor vehicle fuels occurring in gaseous form. This information will be used to calculate the liquid gallon conversion factor on gaseous liquids, and will result in an annual revenue loss to the Special Transportation Fund of approximately \$150,000.

Sections 3-10 make conforming changes to statutory sections affecting the Office of the Attorney General (OAG) and DRS related to recent federal cigarette Master Settlement Agreement (MSA) arbitration. This precludes a potential future revenue loss by ensuring the enforcement of MSA provisions relating to certain cigarette

manufacturers which are required in order to continue receiving full MSA funding.

The 2014-2015 biennial budget allocates \$13 million of the \$63 million in proceeds from the MSA arbitration to enforcement by the OAG and DRS.

Section 11 alters the taxable base under the Estate Tax by: 1) excluding certain Connecticut taxable gifts, and 2) including certain Connecticut gift taxes paid during the three years prior to the decedent's death. It is uncertain whether the fiscal impact of the narrowing of the base under the former provision is entirely offset by the expansion of the base under the latter provision.

According to the Executive Committee of the Estates & Probate Section of the Connecticut Bar Association, fewer than five estates within the last year would have been impacted by the provisions narrowing the base, while at least one estate would have been impacted by the provisions expanding the base. There were a total of 486 Estate Tax filers in FY 13.

The actual impact of this section is dependent on the magnitude of the taxable base exclusions and inclusions that would occur in the future.

Section 12 makes a clarifying change that does not result in any fiscal impact.

Sections 13, 14, and 19 have no fiscal impact because DRS has the knowledge and resources to carry out these duties within the normal course of business.

Sections 15 and 20 result in a potential revenue gain to the extent that access to more accurate and timely bank asset information increases collection activity related to delinquent accounts. These sections also result in a cost of less than \$10,000 annually to DRS to contract with banks and other financial institutions.

Section 16 results in an uncertain revenue gain from the inclusion of certain lump sum distributions in the taxable base on trust and estate income prior to applying allowable deductions. The magnitude of the revenue gain is uncertain as it is dependent on the prevalence of such lump sum distributions occurring in trusts and estates.

Section 17 results in a potential revenue gain to the extent that there are tax filers affected by the federal repatriation of certain off-shore income who are no longer Connecticut residents.

Section 18 results in an uncertain revenue impact from extending the state income tax to certain nonresident gains or losses related to real property in Connecticut. The actual revenue impact is dependent on whether this extension actually encompasses income gains or losses, and their respective magnitude.

Section 18 also results in an uncertain revenue impact from apportioning sales by pass-through entities to Connecticut based on the location of the customer rather than the origin of the sale. The actual revenue impact is dependent on the prevalence of Connecticut-based customers versus sales.

House “A” strikes the underlying bill and its associated fiscal impact and makes the changes identified above.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

OLR Bill Analysis**sHB 5466 (as amended by House "A")******AN ACT CONCERNING DEPARTMENT OF REVENUE SERVICES' PROCEDURES FOR BACKGROUND CHECKS FOR JOB APPLICANTS AND TAXATION OF COMPRESSED NATURAL GAS UNDER THE MOTOR VEHICLE FUELS TAX.*****SUMMARY:**

This bill makes numerous changes to the tax and tobacco settlement statutes. Among other things, it:

1. requires prospective Department of Revenue Services (DRS) employees to (a) disclose their criminal convictions and pending charges, (b) be fingerprinted, and (c) submit to state and national criminal history record checks under Connecticut's uniform criminal record check procedure;
2. requires the DRS commissioner to annually issue information about how he calculates the motor vehicle fuels tax on gaseous fuels, except propane gas stored in containers or cylinders leased to motor vehicle owners;
3. makes numerous changes in the state's tobacco settlement law to implement the Nonparticipating Manufacturer (NPM) Adjustment Settlement Agreement (i.e., the May 24, 2013 settlement between the state and certain tobacco product manufacturers);
4. modifies the starting point (i.e., Connecticut taxable estate) for calculating the estate tax for those who die on or after January 1, 2015 and gives such estates a tax credit for certain gift taxes paid;
5. authorizes the DRS commissioner to publicly list the people for

whom he denied, revoked, or suspended a license, permit, or certificate;

6. requires him to state on the publicly available delinquent taxpayers list why he intends to remove a name from the list;
7. moves up the deadline for remitting monthly sales taxes and filing sales tax returns from the last to the 20th day of the month following the monthly return period and authorizes the commissioner to require weekly sales tax returns from retailers that are delinquent in remitting the tax;
8. requires the commissioner to exchange information about delinquent taxpayers with financial institutions;
9. requires trusts and estates, when calculating their Connecticut income tax, to add certain lump sum distributions to their Connecticut fiduciary adjustment;
10. subjects to Connecticut's personal income tax the income nonresidents receive from (a) nonqualified deferred compensation plans attributable to service performed in Connecticut and (b) sale or transfer of shares in a business that owns real property in Connecticut; and
11. modifies how nonresidents' business income must be apportioned to Connecticut.

EFFECTIVE DATE: Upon passage unless noted otherwise.

*House Amendment "A" requires the DRS commissioner to issue information about how he calculates the motor vehicle fuels tax on all gaseous fuel, not just compressed natural gas, as in the underlying bill and adds the provisions regarding:

1. the propane gas,
2. the tobacco settlement law,

3. estate tax changes,
4. the effective date and legislative intent of estate tax changes enacted in PA 13-247,
5. DRS taxpayer list,
6. sales tax remittance,
7. identifying delinquent taxpayer assets,
8. Connecticut fiduciary adjustment,
9. nonresident income derived from Connecticut sources, and
10. makes minor and technical changes.

EFFECTIVE DATE: Upon passage unless noted otherwise.

§ 1 — BACKGROUND CHECKS FOR PROSPECTIVE DRS EMPLOYEES

This bill requires prospective DRS employees to (1) disclose their criminal convictions and pending charges, (2) allow themselves to be fingerprinted, and (3) submit to state and national criminal history record checks under Connecticut's uniform criminal record check procedure. These requirements apply to (1) non-state employees applying for employment with DRS and (2) state employees seeking to transfer to the DRS. DRS must enforce the requirements consistent with the law prohibiting employers from requiring prospective employees to disclose information in certain erased criminal records (see BACKGROUND).

Under the bill, prospective DRS employees must state in writing whether (1) they have ever been convicted of a crime or (2) charges are pending against them on the date they apply for a DRS position. If charges are pending, the applicant must identify them and the court in which they are pending.

§ 2 — MOTOR FUELS TAX ON GASEOUS FUELS

Beginning June 15, 2014, the bill also requires the DRS commissioner, in consultation with the energy and environmental protection commissioner, to issue annually information about how he calculates the motor vehicle fuels tax on gaseous fuel (e.g., natural gas or propane). The information must include the conversion factor used to determine the liquid gallon equivalent of such fuel. The factor must be consistent with applicable federal standards and be applied to the 12-month period beginning on the following July 1.

With regard to propane gas, the bill requires the commissioner to determine the liquid gallon equivalent only for propane gas used to power a motor vehicle owned by a person who purchases the gas and stores it in a tank or cylinder he or she owns. The commissioner does not have to provide this information for propane gas stored in a leased tank or cylinder.

§§ 3-10 — TOBACCO SETTLEMENT LAW

The law requires tobacco product manufacturers that sell cigarettes in Connecticut to either (1) enter into, and perform financial obligations under, the master settlement agreement between Connecticut and four leading tobacco companies or (2) pay into a qualified escrow account a specified amount for each cigarette they sell in the state. Tobacco companies that choose the former option are considered “participating manufacturers” and those that choose the latter are “nonparticipating manufacturers” (NPMs).

This bill makes numerous changes in the state’s tobacco settlement law to implement the NPM Adjustment Settlement Agreement (i.e., the May 24, 2013 settlement between the state and participating manufacturers). The agreement modified the tobacco master settlement agreement and, among other things, broadened the state’s enforcement responsibilities regarding illegal contraband cigarette sales.

EFFECTIVE DATE: January 1, 2015

§§ 3-5 — Escrow Contribution

Basis and Frequency. The bill bases the escrow payment NPMs must make on the number of cigarettes sold in Connecticut that are subject to the cigarette tax or, in the case of roll-your-own tobacco, the tobacco products tax, rather than basing it on actual excise taxes collected. It excludes cigarettes (1) sold on federal military installations, (2) sold by a Native American tribe to a tribe member on the tribe's land, and (3) otherwise exempt from state excise tax under federal law. As under current law, the payment applies to each cigarette sold in Connecticut by a covered manufacturer during the year in question, including both direct sales and sales through distributors, dealers, or similar intermediaries.

The bill requires DRS to adopt regulations needed to determine the amount of excise tax required to be paid, not just the actual tax paid, by each tobacco product manufacturer.

Under current law, NPMs annually pay into their escrow accounts a specified amount for each cigarette they sold in the prior year. For sales in 2013, the escrow payment was \$.0299790 per cigarette (based on the 2007 amount of \$.0188482, as adjusted for inflation).

Beginning January 1, 2015, the bill requires NPMs to make quarterly, rather than annual, escrow fund payments, based on the per cigarette amount required under current law. It also requires them to certify to the attorney general that they comply with the escrow fund payments quarterly, rather than annually, and makes conforming changes.

Penalties for Noncompliance. The bill makes any "importer" for a NPM located outside the United States jointly and severally liable (see BACKGROUND) with the manufacturer for escrow fund deposits and any penalties imposed for violating the escrow requirements. Under the bill, an "importer" is any person (1) in the United States to whom cigarettes manufactured in another country are shipped or consigned, (2) who removes cigarettes for sale or consumption in the United

States from a customs bonded manufacturing warehouse, or (3) who unlawfully brings cigarettes into the United States.

By law, the attorney general may sue nonparticipating manufacturers that violate the escrow requirements and, if the court finds a violation, impose civil penalties of up to 5% of the improperly withheld amount for each day of violation, up to 100% of that amount. For a knowing violation, the penalty may be up to 15% of the improperly withheld amount per day up to 300% of that amount. For a second knowing violation, a violator is barred from selling cigarettes in the state, either directly or indirectly, for up to two years. Each failure to make the required deposit is a separate violation.

§§ 6-7 — Certification Requirements

The law requires all manufacturers (participating and nonparticipating) whose cigarettes are directly or indirectly sold in Connecticut to annually certify, by April 30 and under penalty of false statement, to the DRS commissioner and attorney general that, as of the certification date, they are either participating in the master settlement agreement or complying with escrow requirements for nonparticipating manufacturers. The bill requires participating manufacturers also to certify that they are complying with the master settlement agreement's financial obligations.

The bill also requires each manufacturer to annually (1) certify that it or its importer holds a valid federal permit for engaging in such business (26 USC 5713), (2) provide a copy of the permit to the DRS commissioner, and (3) certify that it complies with federal tobacco manufacturer reporting and registration requirements (15 USC 375 et seq.). It bars manufacturers from including in their certifications any material representation that they know is false or inaccurate.

§ 8 — DRS Directory

By law, the DRS commissioner must make available to the public a directory of (1) manufacturers that have provided current and accurate certifications and (2) all brand families listed in those certifications. A

brand family is a style of cigarette, such as menthol or lights, sold under the same trademark.

The bill generally prohibits the commissioner from listing brand families for any NPM with discrepancies in certain sales reports. The prohibition applies during any calendar year for which the NPM reports total nationwide federally taxable cigarette sales that exceed the sum of its sales on federally required monthly sales reports, by more than 5% of its total sales, or one million cigarettes, whichever is less. The sales reports are the (a) nationwide sales reports it or its importer submitted to DRS and (b) any intrastate sales reports (15 USC 376 (a)). Under the bill, if a NPM fixes or satisfactorily explains the discrepancy between the reports within 10 days after receiving notice of the discrepancy from DRS, the commissioner may include or retain its brand families in the directory.

§ 9 — Agent for Service of Process Requirements

Under the bill, NPMs located outside of the United States must, as a condition of having their brand families listed or retained in the DRS directory, (1) require each of their brand family importers to appoint and maintain a Connecticut agent for service of process and (2) notify the DRS commissioner and attorney general of the agent in the same manner in which the NPMs notify them of their agent for service of process. The bill makes the secretary of state the agent for any importer who has not appointed an agent. Proceedings against such an importer may be brought by serving process on the secretary, but the secretary's appointment does not satisfy the agent appointment requirements for having the manufacturer's brand families listed in the DRS directory.

§§ 7 & 9 — Surety Bond

As a condition of having its brand families listed in the DRS directory, the bill requires NPMs to file a surety bond with the DRS commissioner for the greater of (1) \$25,000 or (2) the greatest amount of total escrow payments owed in any of the five calendar years before the bond's filing. The bond must be (1) in a form the attorney general

approves and (2) issued by a bonding or insurance company authorized to do business in Connecticut. The bill also requires NPMs to include proof that they have posted the bond in their annual certification to the DRS commissioner and attorney general.

The bill allows the commissioner to execute on the bond if the NPM fails to make, or have made on its behalf, its required quarterly escrow deposits within 15 days following their due date. He may do so to recover (1) the delinquent escrow and (2) civil penalties and costs. The commissioner must deposit any delinquent escrow funds he recovers into a qualified escrow fund or a reasonable alternative account he determines. Any escrow amounts above the amount recovered on the bond remain due from the NPM and its importers.

§ 10 — Information Sharing

The bill allows the commissioner to disclose tax returns or return information (see BACKGROUND) to the attorney general if it is relevant to the state's implementation of the Master Settlement Agreement or the NPM Adjustment Settlement Agreement. It allows the attorney general to disclose the information under an agreement with an entity designated to serve as a data clearinghouse under the NPM Adjustment Settlement Agreement. He may also disclose a licensed cigarette or tobacco products distributor's tax information to a NPM that makes escrow fund contributions, as long as the disclosure is limited to information relating to the NPM's Connecticut sales.

The bill also broadens the purposes for which the commissioner and attorney general may share information they receive under the state's tobacco settlement law with other state, federal, and local agencies to include the enforcement of federal law. Currently, they may share the information with these other entities, but only to enforce Connecticut's or other states' tobacco settlement laws.

§ 10 — Reporting Requirements

Monthly Sales Reports. The bill requires each manufacturer and importer to file a monthly report with the DRS commissioner and

certify that the report is complete and accurate. The report, which manufacturers and importers must file within 15 days following the end of the month, must include the (1) total number of cigarettes they sold in the state that month, identified by name and number, including those sold through an affiliate; (2) cigarette manufacturer and brand family; and (3) cigarette purchasers. Manufacturers and importers satisfy this monthly reporting requirement by submitting federally required monthly sales reports to the commissioner and certifying that they are complete and accurate.

Federal Excise Tax Returns. The bill requires each manufacturer and importer to submit to the (1) commissioner its federal excise tax returns and monthly operational reports within 30 days after the returns are filed or (2) United States Treasury a valid request or consent authorizing the federal Alcohol Tobacco Tax and Trade Bureau and, in the case of a foreign manufacturer or importer, United States Customs and Border Protection, to disclose the manufacturer's or importer's federal excise tax returns to the commissioner.

Additional Reporting Requirements. The bill requires manufacturers and importers to disclose to the commissioner or attorney general, upon request, copies of all federally required sales reports they filed in other states.

It also allows the attorney general to require NPMs, importers, and stampers to produce information to allow him to determine whether a quarterly escrow deposit is adequate.

§§ 11-12 — ESTATE TAX CHANGES

Connecticut Taxable Estate and Gift Taxes Paid on Certain Taxable Gifts

The bill modifies the starting point (i.e., Connecticut taxable estate) for calculating the estate tax for those who die on or after January 1, 2015. It does so by (1) excluding any Connecticut taxable gifts that are includible in the decedent's gross estate for federal estate tax purposes and (2) including the amount of any Connecticut gift tax the decedent

or his or her estate paid during the three years preceding the decedent's death for gifts made by the decedent or his or her spouse.

The bill also gives such estates a tax credit for any gift taxes the decedent's spouse paid for Connecticut taxable gifts made by the decedent on or after January 1, 2005 that are includible in the decedent's gross estate. Existing law gives estates a credit for any Connecticut gift taxes paid on gifts made on or after January 1, 2005, as long as the credit does not exceed the estate tax due. The bill limits the total credits to no more than the estate tax due.

Estate Tax Changes in PA 13-247

PA 13-247 (§ 120) (1) conformed the law to DRS practice by modifying how estate taxes are calculated for Connecticut residents who have estate property in other states and (2) provided, for both resident and nonresident estates, that the state is permitted to calculate and levy the tax to the fullest extent permitted by the U. S. Constitution.

The bill states that the General Assembly intends these modifications to be clarifying in nature and applicable to all open estates. Under current law, these provisions apply to deaths on or after January 1, 2013. As under current law, the provisions became effective on June 19, 2013.

§ 13 — DRS TAXPAYER LIST

Listing Actions Regarding Licenses, Permits, and Certificates

The bill allows the DRS commissioner to create a public list of specific enforcement actions he took regarding licenses, permits, or certificates. He may list each person whose (1) application for a license, permit, or certificate was denied or (2) license was suspended, revoked, or not renewed. If he publishes the list, the commissioner must arrange it by the type of tax and may add the date he took the actions and the reasons for taking them.

Including Reasons for Removing a Taxpayer's Name from the Delinquent Taxpayer List

By law, the DRS commissioner must maintain a publicly available list of delinquent taxpayers. The bill requires that, before removing a name from the list, the commissioner indicate on it his reasons for doing so. He must specifically indicate if the delinquency was (1) resolved by negotiated settlement, (2) paid in full, or (3) designated as uncollectable.

EFFECTIVE DATE: July 1, 2014

§§ 14 & 19 — SALES TAX***Remittance Deadline***

The bill moves up the deadline for remitting monthly sales taxes and filing sales tax returns from the last day to the 20th day of the month following the month covered by the return.

Weekly Remittance for Delinquent Parties

The bill allows the commissioner to require retailers that fail to pay the tax on time to file returns and pay the tax weekly. These weekly returns are due by the Wednesday following the end of the weekly period the return covers. The commissioner must notify affected retailers in writing, specifying how they must remit the tax. He must require weekly remittance for one year, starting on the notice's date.

Current law allows the commissioner to require parties collecting sales taxes to remit them for other than monthly or quarterly periods. Under the bill, if a weekly period straddles two months, retailers must still remit the tax for a week. In addition, retailers required to remit the tax on a weekly basis must also file required monthly or quarterly returns.

Retailers required to remit taxes on a weekly basis are subject to the law's penalties for failing to remit them, including revocation of their sales tax permits.

EFFECTIVE DATE: October 1, 2014

§§ 15 & 20 — IDENTIFYING DELINQUENT TAXPAYER ASSETS

The bill requires the DRS commissioner to contract with financial institutions doing business in Connecticut to exchange information about taxpayers who owe state taxes. Such institutions include banks, credit unions, benefit associations, insurance companies, safe deposit companies, money market mutual funds, and other similar entities authorized to do business here.

Under the contract, the commissioner must provide to these institutions (1) each delinquent taxpayer's name, Social Security number, or other taxpayer identification numbers and (2) the amount of taxes due and payable for which every administrative or judicial remedy has been exhausted. Within 90 days after receiving this list, the financial institution must provide the commissioner with a list of its account holders appearing on the commissioner's list, along with the account holder's Social Security number or taxpayer identification number and a statement about whether their account balance exceeds \$1,000.

The bill waives the existing statutory restrictions against releasing taxpayer information when the commissioner exchanges the information with a financial institution. It also relieves contracting institutions from liability to anyone for disclosing customer information to the commissioner or for any other good faith actions they take to comply with the bill.

§ 16 — CONNECTICUT FIDUCIARY ADJUSTMENT

When a trust or estate taxpayer determines its Connecticut adjusted gross income for state income tax purposes, the bill requires it to add any lump sum distributions it receives during the tax year. The required addition is any amount of the distribution that is not included in the trust's or estate's federal taxable income before deductions for distributions to beneficiaries.

EFFECTIVE DATE: Upon passage and applicable to taxable years beginning on or after January 1, 2014.

§§ 17-18 — NONRESIDENT INCOME DERIVED FROM CONNECTICUT SOURCES

Nonqualified Deferred Compensation Plans

The bill extends the state income tax to nonresidents' income from nonqualified deferred compensation plans attributable to services performed in Connecticut. Such nonqualified plans are those under which an employer agrees to defer a portion of an employee's wages until a specified future date, thus delaying the employee's tax liability until the deferred amount is paid. Under the bill, the income subject to Connecticut's tax includes such income that is taxable for federal income tax purposes.

Sale or Disposition of Property Interest in an Entity

The bill requires nonresidents to pay Connecticut income tax on gains or losses from the sale or disposition of an interest in an entity (i.e., partnership, limited liability company, or S corporation) that owns certain real property in Connecticut.

Under the bill, all or a portion of the gain or loss from a nonresident taxpayer's sale or disposition of an interest in the entity is considered taxable in Connecticut if the entity owns real property in the state valued at 50% or more of the fair market value of the entity's total assets in the preceding two years. The Connecticut gain or loss from the transaction is the total federal gain or loss multiplied by the ratio of the fair market value of the entity's Connecticut real property to that of its total assets, as of the transaction date.

EFFECTIVE DATE: Upon passage and applicable to taxable years beginning on or after January 1, 2014.

Apportioning Nonresident Business Income

The bill modifies how nonresidents' business income is apportioned to Connecticut for income tax purposes by changing the way in which

certain sales are sourced to Connecticut.

By law and unchanged by the bill, if a business is carried on partly in and partly outside of Connecticut, its gains and losses derived from or connected with Connecticut must be apportioned to the state. The business' proportion of net income, gain, loss, and deduction sourced to Connecticut equals its average percentage of property, payroll, and gross income in the state.

By law, a business' gross income percentage is calculated by dividing its gross Connecticut sales by its total sales. Under current law, property and service sales are sourced to Connecticut if they are negotiated or performed by an employee, agent, agency, or independent contractor chiefly situated at, contracted with, or sent from the business' Connecticut offices or branches (Conn. Agencies Regs. § 12-711(c)-4). The bill instead sources property sales to Connecticut if the property is delivered or shipped to a purchaser in the state, regardless of the FOB point (i.e., point at which title for the goods transfers to the buyer) or other conditions of the sale.

EFFECTIVE DATE: Upon passage and applicable to taxable years beginning on or after January 1, 2014.

BACKGROUND

Nondisclosure of Information Contained in Erased Criminal Records

The law prohibits all employers, including the state and its political subdivisions, from requiring prospective and current employees to disclose records of erased arrests, criminal charges, or convictions (CGS § 31-51i). It similarly prohibits employers from denying employment, or discharging an employee, solely because of information contained in such records. The records that the law covers relate to delinquency; family with service needs or youth offender status; criminal charges that have been dismissed, nolle, or resulted in not guilty findings; and absolute pardons.

Employment application forms requesting criminal history data

must contain a statement informing applicants that (1) they are not required to disclose criminal history data subject to erasure, (2) the erasure of this data deems they were never arrested for the associated crime, and (3) they can swear under oath that they were never arrested for those crimes.

Federal Standards on Natural Gas Conversion Factors

The National Institute of Standards and Technology's *Uniform Laws and Regulations in Areas of Legal Metrology and Engine Fuel Quality Handbook 130* (2013) specify that a gallon of gasoline is equivalent to 2.567 kg (5.660 lbs.) of natural gas.

Joint and Several Liability

Joint and several liability is a form of liability used in civil cases where two or more people are found liable for damages. The winning plaintiff in such a case may collect the entire judgment from any one of the parties, or from any and all of the parties in various amounts until the judgment is paid in full. In other words, if any of the defendants do not have enough money or assets to pay an equal share of the award, the other defendants must make up the difference.

Tax Returns and Return Information

By law, a "return" is any of the following filed with the DRS commissioner by, on behalf of, or with respect to, anyone: (1) a tax or information return; (2) an estimated tax declaration; (3) a refund claim; or (4) any license, permit, registration, or other application. The term also covers amendments or supplements, including supporting schedules, attachments, or lists that supplement or are part of a filed return.

"Return information" includes:

1. a taxpayer's identity;
2. the nature, source, or amount of the taxpayer's income, payments, receipts, deductions, exemptions, credits, assets, liabilities, net worth, tax liability, tax collected or withheld, tax

under- or over-reportings, or tax payments; and

3. any other data received, recorded, prepared, or collected by or furnished to the DRS commissioner regarding a return or regarding any determination of liability for a tax, penalty, interest, fine, forfeiture, or other imposition or offense (CGS § 12-15 (h)(1) & (2)).

Related Bills

House Amendment "A" adds provisions that are similar or identical to those in other bills.

1. sSB 390 (File 640) makes numerous changes in the state's tobacco settlement law to implement the NPM Adjustment Settlement Agreement (i.e., the May 24, 2013 settlement between the state and participating manufacturers).
2. sSB 367 (File 457) bill modifies the starting point (i.e., Connecticut taxable estate) for calculating the estate tax for those who die on or after January 1, 2015. It also gives these estates a tax credit for any gift taxes the decedent's spouse paid for Connecticut taxable gifts made by the decedent on or after January 1, 2005 that are includible in the decedent's gross estate.
3. sSB 390 (File 482) makes mostly identical changes to DRS statutes.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 50 Nay 0 (04/01/2014)